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Message Text

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11
ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-04 FPC-01 H-01 INR-05

INT-05 L-01 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-02 SP-02 SS-15 STR-01 TRSE-00 FRB-01 FTC-01 PA-01

PRS-01 USIA-06 /082 W
---------- 063992
R 311510Z OCT 74
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 4977
INFO AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

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E. O. 11652: NA
TAGS: BDIS, ENRG, IN
SUBJ: CALTEX OFFER TO SELL OUT TO THE GOI

REF: A) BOMBAY 2546 (NOTAL)
B) NEW DELHI 13040

1. CALTEX INDIA REPRESENTATIVES HAVE GIVEN AMCONGEN BOMBAY (REF A) AND AMEMBASSY NEW DELHI COPIES OF THE LATEST EXCHANGE OF CORRESPONDENCE BETWEEN THE COMPANY AND MINISTRY OF PETROLEUM & CHEMICALS SECRETARY P.K. DAVE RELATIVE TO THE SEPTEMBER CALTEX OFFER TO SELL OUT TO THE GOI.

2. ON OCTOBER 5, DAVE RESPONDED TO F.H. LEVENHAGEN'S SEPTEMBER 30 REQUEST TO BEGIN NEGOTIATIONS "AS EARLY AS POSSIBLE" (REF B). DAVE STATED THAT THE GOI IS WILLING " TO ACCEPT THIS OFFER" AND INDICATED THAT THE NOW-FAMILIAR LIMITED OFFICIAL USE

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GOI QUESTIONNAIRE WOULD BE FORWARDED TO CALTEX SOON. WITH

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REGARD TO CALTEX'S FINANCIAL DIFFICULTIES, DAVE STATED
THAT THE GOI HAS FROM TIME TO TIME TAKEN ACTION TO AFFORD
RELIEF AND TO ARRANGE FOR CREDIT FACILITIES, AND ADDED THAT
THE GOI IS "CONVINCED THAT IN THE TOTALITY OF CIRCUMSTANCES,
DUE RELIEF IS BEING MADE TO THE OIL COMPANIES". HOWEVER,
THERE ARE ALSO CIRECUMSTANCES IN WHICH CALTEX HAS "CREATED
CONDITIONS WHICH MAY RESULT IN FINANCIAL DIFFICULTIES"
AND "THESE ARE NOT TAKEN INTO ACCOUNT IN THE PRICE STRUCTURE".

3. IN ITS REPLY DATED OCTOBER 22 (BUT NOT DELIVERED TO THE
GOI UNTIL OCTOBER 28) CALTEX ATTEMPTS "TO CORRECT THE
IMPRESSION CREATED THAT (THE COMPANY) WAS, OF ITS OWN
VOLITION, READY TO COMMENCE NEGOTIATIONS". CALTEX HAS TAKEN
THIS STEP, THE LETTER SAYS, "BECAUSE OF UNDUE DELAYS IN
THE IMPLEMENTATION OF RELIEF MEASURES BY GOVERNMENT"
WHICH WOULD HAVE ENABLED CALTEX TO MAINTAIN "THE EXONOMIC
VIABILITY" OF ITS OPERATIONS. PUT ANOTHER WAY, THE CALTX
LETTER SAYS, THE COMPANY'S ACQUIESCENCE WAS "BASED SOLELY
ON A REALIZATION BY (THE CONPANT'SL SGAREHOLDERS OF THE
COMMERCIALLY UNTENABLE POSITION THAT HAS ARISEN FROM
GOVERNMENT'S HAVING UNDULY DELAYED RECOGNITION OF CALTEX'S
INCREASED OPERATING AND FINANCIAL COSTS AND (THE COMPANY'S)
AWARENESS OF GOVERNMENT'S DECLARED INTENTION TO EVENTUALLY
ATTAIN CONTRO OF THE PRIVATE OIL COMPANIES' OPERATIONS IN
INDIA". IN TTE ABSENCE OF ANY GOI ASSURANCE CONCERNING
A REALISTIC PRICING POLICY NECESSARY TO KEEP CALTEX'S
OPERATIONS FINANCIALLY VIALBE, THE COMPANY HAD NO
ALTERNATIVE BUT TO BEGIN DISCUSSIONS.

4. WE ARE AIRPOUCHING ABOVE CITED LETTERS TO NEA/INS.

5. COMMENT: MINATT ASKED CALTEX NEW DELHI REPRESENTATIVE,
V.T. KRISHNAMURTHI, IF LEVENHAGEN OR OTHER CALTEX INDIA
OFFICIALS HAD, TO ANY DEGREE, MODIFIED AN EARLIER COMPANY
POSITION REGARDING REQUESTS FOR EMBASSY OR DEPARTMENT ASSIST-

ANCE IN THIS MATTER (REF B). KRISHNAMURTHI REITERATED LEVEN-
HAGEN'S SEPTEMBER 30 STATEMENT TO EMBOFFS THAT CALTEX IS NOT
REPEAT NOT SEEKING EMBASSY OR DEPARTMENT ASSISTANCE AT
THIS TIME. HE VIEWS THIS LATEST EXCHANGE OF CORRESPONDENCE
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AS "AN ANTICIPATED SPARRING SESSION ONLY" BETWEEN CALTEX

AND THE GOI. HE SAID THAT EACH SIDE IS MERELY ATTEMPTING
TO IMPROVE ITS BARGAINING POSITION PRIOR TO ACTUAL
NEGOTIATING SESSIONS, AND THAT A "FEW MORE LETTERS IN THIS
VEIN WOULD NOT BE UNUSUAL". END COMMENT.
MOYNIHAN

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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
Copy: SINGLE
Draft Date: 31 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
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From: NEW DELHI
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Review Comment: n/a
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Review Exemptions: n/a
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